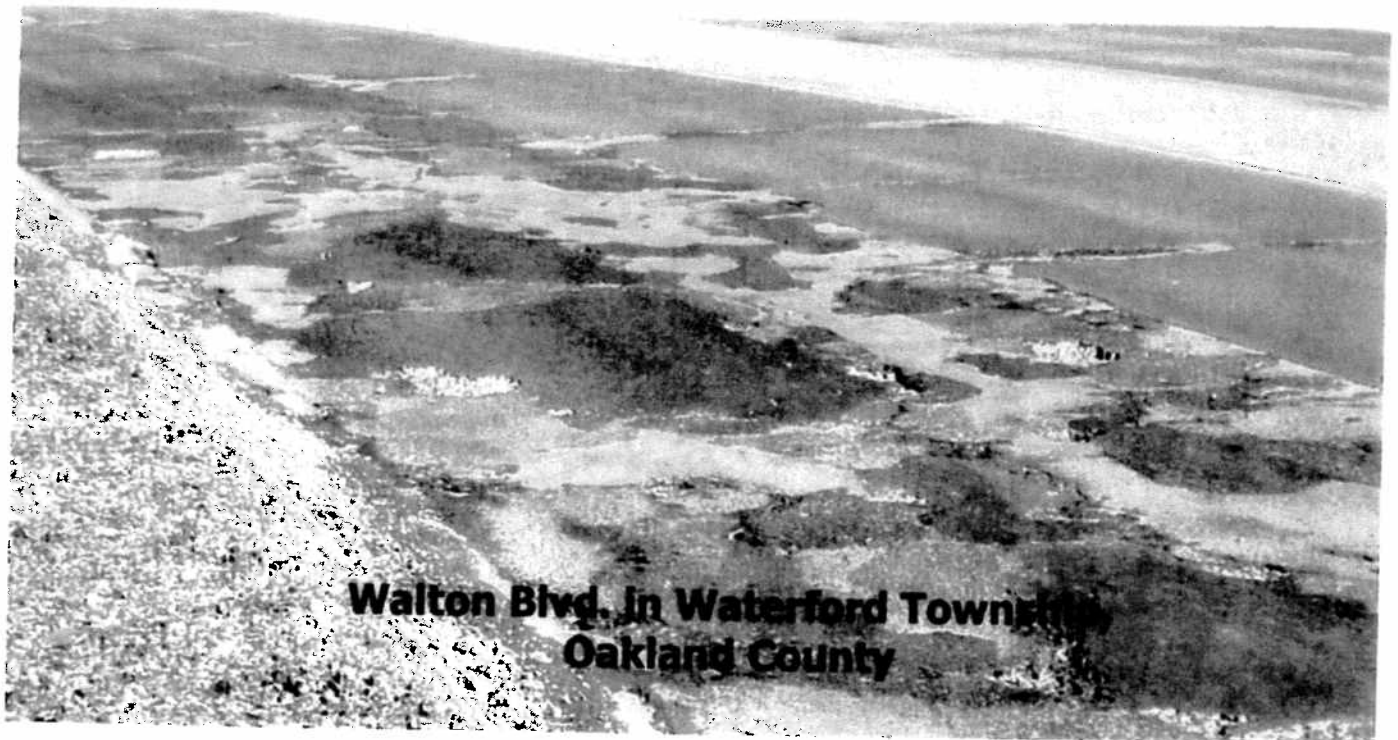


**April 26, 7007**

# **Michigan's Road Funding Crisis**

## **The view from Oakland County**



**Presented by  
Brent O. Bair  
Managing Director  
Road Commission for Oakland County**

**ROAD COMMISSION**  
**for OAKLAND COUNTY**

## **The Problem**

- Michigan is in a road-funding crisis.
- Our roads are not competitive with those in surrounding states because we do not fund our roads at the same level as other states.
- The federal government is not going to bail out Michigan roads.
- Michigan's businesses & residents deserve better roads. We can't provide them without additional funding.

## **The Solution**

- The only realistic, short-term solution is to raise the state gas & diesel taxes and registration fees.

## Why listen to Oakland County?

- Oakland's 1.2 million people represent 12% of the state's population.
- 300,000 people commute into Oakland County each day from other counties to work.
- Oakland is the economic engine driving Michigan's economy.
- Consider:

### Oakland Statistics

- In 2003, the payroll for Oakland's 42,000 businesses was almost **\$46 billion**, which exceeds that of 19 states.
- Oakland's retail sales in 2002 exceeded those of 14 states.
- Oakland is the 4th wealthiest county in the nation, among counties with more than 1 million people, based on per capita income.
- In 2003, Oakland County's total Effective Buying Power (EBI) of \$33.4 billion exceeded those of 14 states.

## **Does Oakland County Have Special Road Problems?**

There are at least four factors that make Oakland County's road problems unique. These factors include:

1. Oakland County is located in a state that simply does not invest in roads.
2. Like all the large, urban counties in Michigan, Oakland County is a donor for state road funds. It does not get back all the funds it sends to Lansing. The large "urban" counties in Michigan subsidize the more rural counties.
3. Road construction costs are higher in Oakland County than in most other areas of the state. This is due to soil problems (such as wetlands) and high land values. Because land costs are higher, it is more expensive to acquire rights of way for roads in Oakland County.
4. Oakland's roads have some of the highest traffic volumes in the state. According to the Southeast Michigan Council of Governments (SEMCOG), Oakland accounts for 42 percent of all traffic congestion in Southeast Michigan. Growth and economic development continue in Oakland County, bringing more and more traffic. Unfortunately, that traffic does not directly generate additional funding to improve the roads so they can handle the increased traffic.

## **How is Oakland a Donor for State Road Funds?**

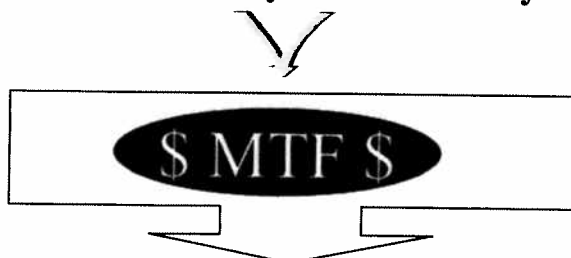
In nearly every category of state-collected road funds, Oakland County sends more money to Lansing than it receives back. Approximately 25 cents of every dollar in road funding collected in Oakland County is used elsewhere in the state. This condition is referred to as Oakland's road-funding donor status.

The table below shows the amount of money generated in Oakland County in each state-collected road funding category and the amount returned. It also shows this figure as a percentage.

The line second from the bottom in the table is interesting. It shows that if Oakland County received back 100 percent of the road funds it sends to Lansing, the county would receive an additional **\$52 million** each year. Over 10 years that would equal **\$520 million**.

**1996-2000 5-year average:**

**From Oakland County: \$218.5 million/year**



Distributed to:	MDOT	Rd Comm	C&V	Transit	Admin	TEDF
Amount:	\$70 M	\$71 M	\$40 M	\$17 M	\$15 M	\$5 M
Ret. to Oak.:	\$41 M	\$53 M	\$39 M	\$12 M	\$9 M	\$9 M
% Returned:	59 %	75 %	99 %	73 %	59 %	178 %
<b>Add'l at 100%:</b>	<b>\$29 M</b>	<b>\$18 M</b>	<b>\$1 M</b>	<b>\$5 M</b>	<b>\$6 M</b>	

**Average MTF return to Oakland County: 75%**

The table below shows the percentage of road funds the five largest “urban” counties get back from Lansing, and a few examples of some of the recipients of that donor status.

<b>County</b>	<b>% Road Funding Returned from Lansing (3 yr. Avg., 97-99)</b>
Oakland	72%
Wayne	86%
Macomb	77%
Kent	93%
Genesee	80%
Keweenaw	375%
Gogebic	183%

ROCC is not the only one that recognizes Oakland's road funding donor status. The article at right is from the *Detroit News*, Dec. 6, 2000. The headline tells it all.

# The Detroit News

Wednesday, December 6, 2000

**www.dcnnews.com**

**Metro Editor:**

## Oakland: Pay more, get less

Taxes from richest county keep state going while its own busy roads become clogged.

**LANSING** — Michigan's

meanwhile its residents shell out much more in taxes than they get back in city spending.

Mayor County and his governing Livingston aren't too far behind.

That's pretty big-sided and completely unfair," said Christopher Nelson, chief pharmaceutical sales representative on farmington. "It's a very unfair game."

Paterson says amen to that.

"In these many years I've learned the fact we're a major taxpayer in the state, but like Rodney Dangerfield, we are no respect," Paterson said. "We have about 10% of the population on the table, but an unreasonable amount that the state gives us a little more money than we need."

The brief figures show that the gap is widening. The average Oakland resident spends at least \$600 in taxes to buy a car, compared with just \$400 for the typical Michigan citizen. The differential was 50 percent five years ago.

**Outgoing income tax dollars**

Transportation in Oakland, Mass. was an 11 percent increase in state tax burdens in the 1998 cycle, but it was less than the 19 percent increase in the 1994 cycle. This is due to a relatively low return for the 1994 cycle.

State	1994	1998
Alabama	\$2,556	\$2,774
Alaska	\$1,824	\$1,843
Arizona	\$1,505	\$1,525
Arkansas	\$427M	\$178M

Source: U.S. Census Bureau, State Tax Burden Data, 1998.

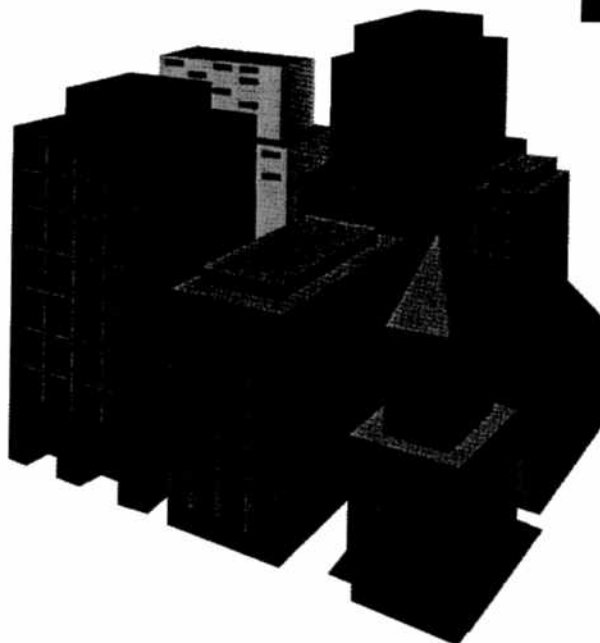
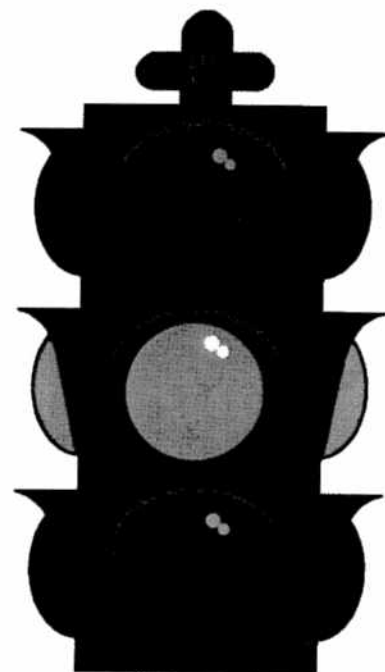
# **The Road Commission for Oakland County** **(RCOC)**

Below are some interesting facts about RCOC.

## **RCOC:**

- ⇒ 556 employees (only eight more than in 1974)
  - Only 1.5% growth
- ⇒ More than 2,700 miles of county roads
- ⇒ 2nd largest road system in the state, 2nd only to state highway system
- ⇒ Nearly 800 miles of roads are still gravel
- ⇒ Maintains:
  - Nearly all 230 miles of state highways in county under contract with MDOT
  - 90% of all traffic signals (1,500)
  - 120,000 road signs
- ⇒ Like MDOT, has NO taxing authority

**Why are Michigan's Roads in the Condition  
They are in, and Why are Other States'  
Roads in Better Shape?**



# The History of Road Funding in Michigan

When we look at Michigan's record for the last 40-plus years, we find that the state has generally out-spent most states, on a per capita basis, in such important areas as health, education and welfare. Roads are a different story.

As the chart below indicates, since at least 1964, roads have been Michigan's "forgotten priority" — Michigan has continuously ranked in the bottom nine states in per capita state and local expenditures on roads.

Given this track record, it should be no surprise that Michigan's roads are in worse shape than those in other states. Compounding this situation is the fact that many of the states that have for years ranked higher than Michigan in per capita road spending don't have the freeze/thaw cycles Michigan experiences each spring and fall, and which take a tremendous toll on road surfaces. Nor do road agencies in many of these states spend millions of dollars on snowplowing and salting.

<b>Per Capita State &amp; Local Expenditures (Michigan's Rank in the Nation)</b>						
<b>Expenditures</b>	<b>1964</b>	<b>1974</b>	<b>1984</b>	<b>1988</b>	<b>1992</b>	<b>2000</b>
Health	5	8	9	3	12	21
Education	11	7	10	7	11	3
Welfare	31	5	3	8	17	24
<b>Roads</b>	<b>43</b>	<b>44</b>	<b>42</b>	<b>44</b>	<b>49</b>	<b>44</b>

Source: U.S. Census Bureau

There are two primary sources of road funding in Michigan: state-collected funds, such as the state gas tax, and federal road funds. Each is reviewed in detail in the following pages.



# **The Bottom Line:**

**Michigan's roads won't catch up with those in other states as long as Michigan ranks in the bottom nine states in per capita road funding.**

# **The Two Road Problems:**

- 1. Condition**
- 2. Congestion**

# Problem 1: Road Conditions

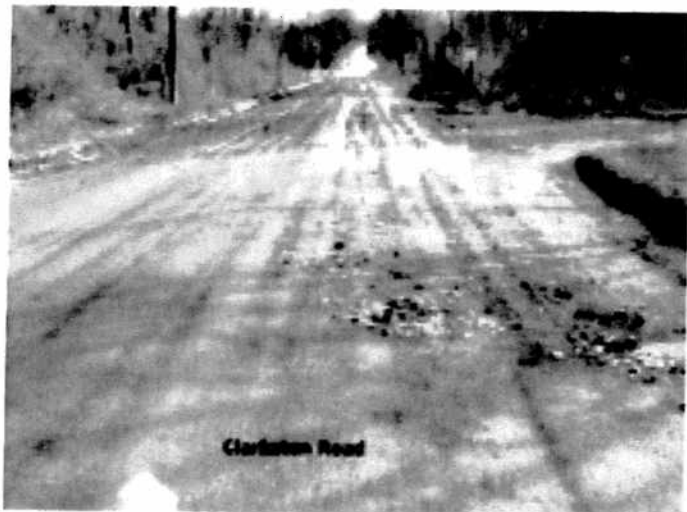
Problem 1: **Condition = Potholes/Rough Gravels**



# Examples of Oakland County Paved Road Problems



## Examples of Oakland County Gravel Road Problems



## State-Collected Road Funds



State-collected road funds are used primarily by local road agencies for maintaining the road system and for operating expenses. This includes activities such as salting and plowing in the winter, gravel road grading, pothole patching, etc.

The state-collected gas tax is the single largest funding source for roads in Michigan, as it is in most states. Historically, Michigan's gas tax has been among the lowest in the nation, making the gas-tax rate a major contributor to the state's poor showing in per capita road funding comparisons.

Our state-collected gas tax, at 19 cents per gallon, has not been increased since 1997 (keep in mind that gas-tax revenues do not increase when the price of gas goes up – they remain at 19 cents per gallon whether gas costs \$1 per gallon or \$3 per gallon). Since 1997, though, the expenses related to maintaining roads have continued to rise, often at a rate greater than the rate of inflation. Prior to 1997, the gas tax had not been increased since 1984.

The table below shows the history of Michigan's gas tax.

<u>YEAR</u>	<u>INCREASE</u>	<u>RATE</u>
1997	4 CENTS*	19 CENTS/GALLON
1984	2 CENTS	15 CENTS/GALLON
1983	2 CENTS	13 CENTS/GALLON
1978	2 CENTS	11 CENTS/GALLON
1972	2 CENTS	9 CENTS/GALLON

\* = Only 3 of the 4 cents were available to locals; 1 cent was dedicated solely to MDOT.

# **The Michigan Transportation Fund (MTF)**

How are the state-collected revenues divided among the state, county road commissions and cities and villages?

The state Legislature established a single “pot” for state-collected road funds known as the Michigan Transportation Fund (MTF).

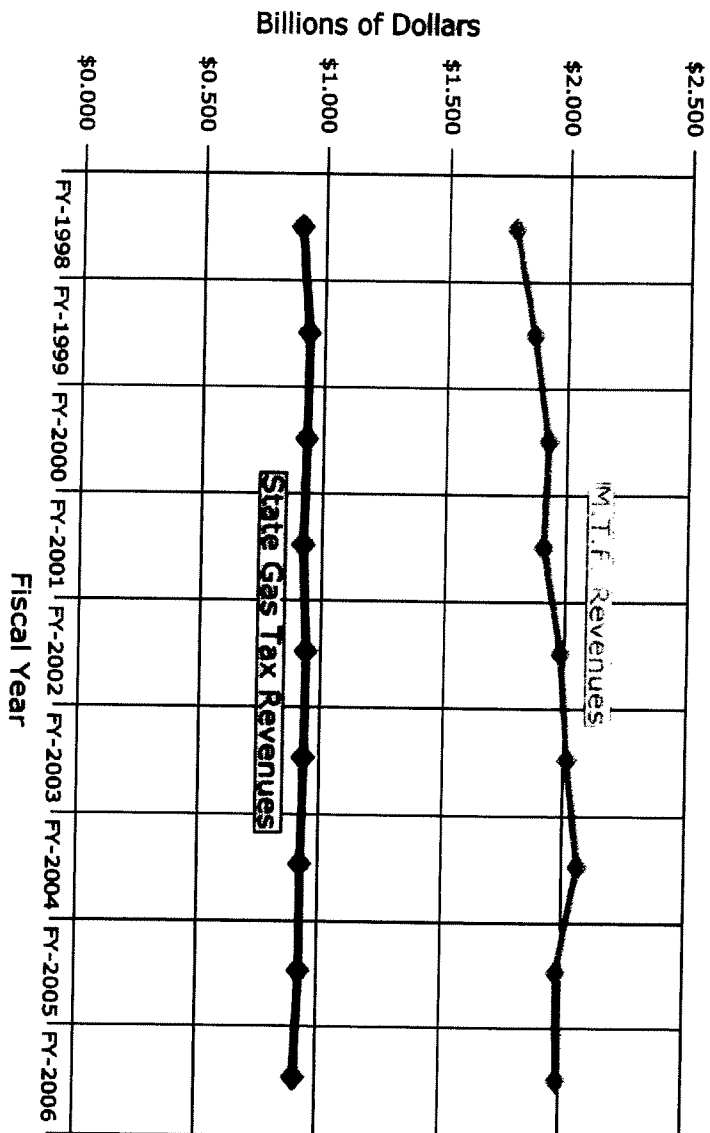
## **State Fuel Tax Rates (2007)**

<u>State</u>	<u>Gas</u>	<u>Diesel</u>	<u>State</u>	<u>Gas</u>	<u>Diesel</u>
Washington	34	34	Massachusetts	21	21
Wisconsin	32.9	32.9	Illinois	20.1	22.6
W. Virginia	31.5	31.5	Louisiana	20	20
Pennsylvania	31.2	38.1	Minnesota	20	20
Rhode Island	31	31	Texas	20	20
N. Carolina	30.1	30.1	Vermont	20	26
Nebraska	28	27.4	Kentucky	19.7	16.7
Ohio	28	28	New Hamp.	19.6	19.6
Montana	27	27.7	<u>Michigan</u>	19	16
Maine	26.8	27.9	New Mexico	18.8	22.9
Connecticut	25	26	Mississippi	18.4	18.4
Idaho	25	25	Alabama	18	19
Nevada	24.8	27.7	Arizona	18	18
New York	24.6	22.8	California	18	18
Utah	24.5	24.5	Indiana	18	16
Kansas	24	26	Missouri	17.5	17.5
Oregon	24	24	Virginia	17.5	16
Maryland	23.5	24.2	Oklahoma	17	14
Delaware	23	22	Hawaii	16	16
N.Dakota	23	23	S. Carolina	16	16
Colorado	22	20.5	Florida	15.3	28.4
S. Dakota	22	22	Georgia	15.2	16.3
Arkansas	21.5	22.5	New Jersey	14.5	17.5
Tennessee	21.4	18.4	Wyoming	14	14
Iowa	21	22.5	Alaska	8	8



Source: Federation of Tax Administrators

# STATEWIDE M.T.F. AND GAS TAX GROWTH



**M.T.F. REVENUE GROWTH**  
 FY-98 = \$1,778,725,081  
 FY-06 = \$1,984,764,285  
 Increase: 11.6%  
 Average Annual Increase: 1.4%

**GAS TAX REVENUE GROWTH**  
 FY-98 = \$900,750,388  
 FY-06 = \$908,578,736  
 Increase: 0.9%  
 Average Annual Increase: 0.1%



## RCOC OPERATING REVENUES

Source	FY98	FY06	Difference	% increase
MTF	\$ 55,567,747	\$ 61,703,567	\$6,135,820	11.0%

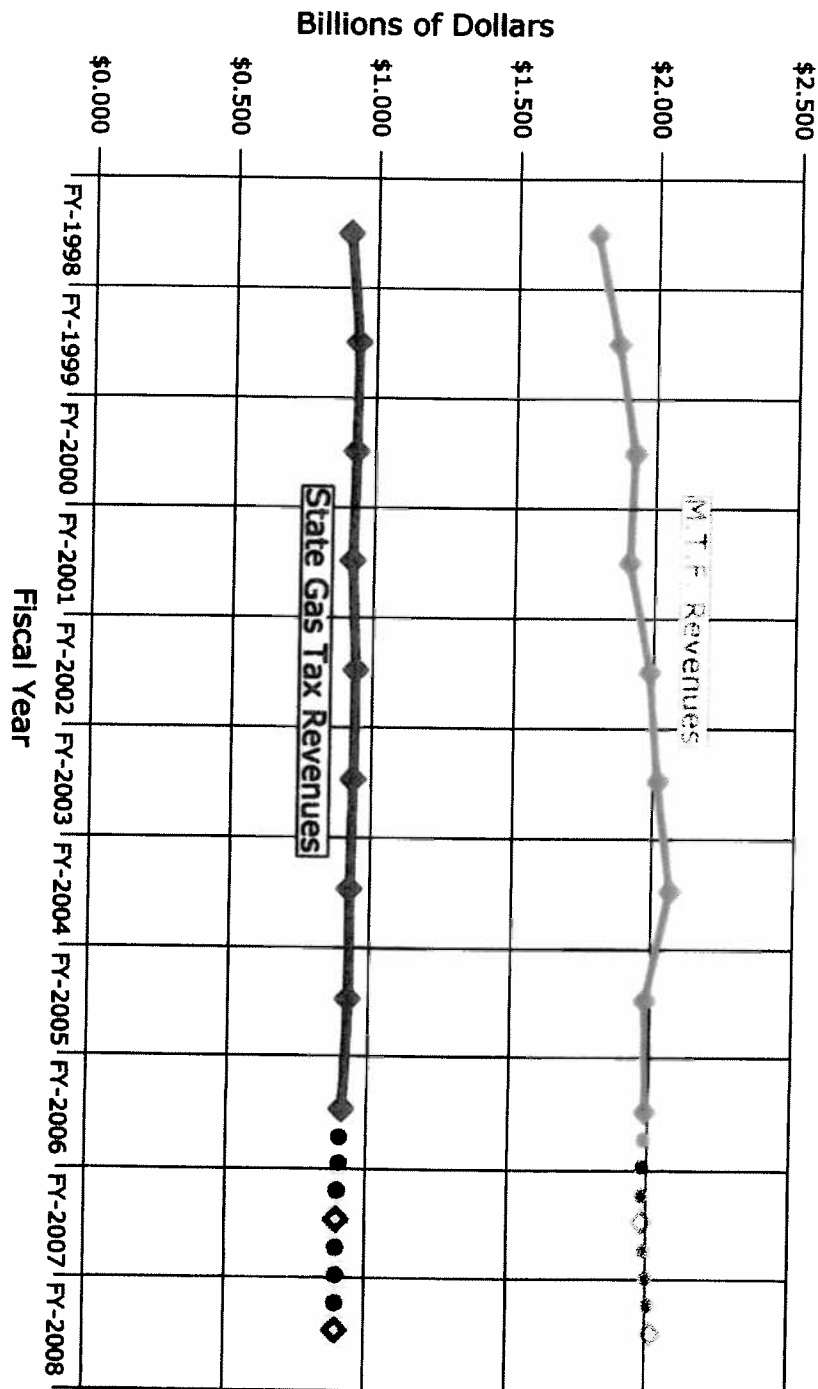
## RCOC INCREASE COST EXAMPLES: EQUIPMENT, MATERIALS, & SUPPLIES

ITEM	FY98	FY06	Difference	% Increase
12 Yd Truck - (per vehicle)	\$95,462	\$157,297	\$61,835	64.8%
Diesel Fuel - (per like quantity)	\$302,640	\$1,105,800	\$803,160	265.4%
Gasoline - (per like quantity)	\$267,445	\$948,290	\$680,845	254.6%
Asphalt - (per ton - like quantity))	\$93,920	\$138,000	\$44,080	46.9%
Gravel - (per ton - like quantity)	\$87,502	\$105,062	\$17,560	20.1%
Guardrail & Hardware - (per like quantity)	\$61,786	\$131,869	\$70,083	113.4%
Plow Blades 5', 6', 7' - (per like quantity)	\$55,868	\$104,025	\$48,157	86.2%
U-Channel Sign Posts - (per like quantity)	\$58,806	\$123,948	\$65,142	110.8%
Traffic Signal Cable - (per like quantity)	\$13,620	\$32,700	\$19,080	140.1%

Note: For all line items, like quantities were compared to calculate the cost increase per quantity.

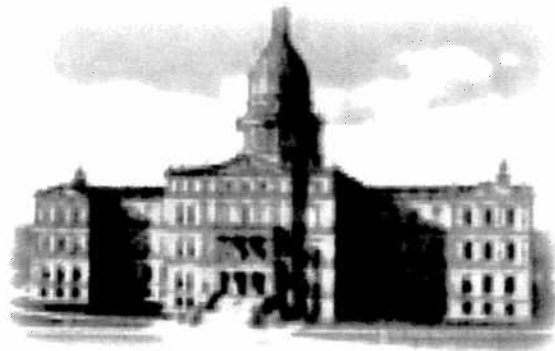
The actual total expenditure for each year is not shown because the total quantities purchased each year varied.

## statewide MTF and Gas Tax Revenue Growth - Projected



**Michigan Dept. of Treasury projects MTF will grow by only 0.9%  
in FY 07 and FY 08!**

**Who is responsible for the condition of  
Michigan's roads?**



**The Governor and State Legislature could best  
address the statewide road condition problem.**

**They control the primary funding sources used to  
maintain roads.**

**Support the Drive MI  
initiative!**

# **RCOC's 2007 Road Improvement Program**

**As can be seen on the map on the next page, the largest county road commission in the state -- and one of the wealthiest counties in the nation -- is not doing much in the way of road improvements in 2007.**

- There is only one widening project (federal funds)
- There are only three major resurfacing & safety projects (two of those are federally funded and one is 2/3 match funding)

**What is more important is what is NOT on the map:**

- No maintenance resurfacing of asphalt roads with RCOC funds
- No major resurfacing with 100% RCOC funds
- No concrete repair with RCOC funds

**After the last gas tax increase, RCOC was able to do:**

- \$2 million per year in maintenance resurfacing
- \$3 million per year in major resurfacing
- \$500,000 per year in concrete repair work

**RCOC can no longer afford to do any of this routine pavement preservation work. Oakland's paved road system is deteriorating. Without an increase in state funding, it will get much worse.**

## EXAMPLE COSTS OF ROAD IMPROVEMENTS IN OAKLAND COUNTY

(As of January 2007)

ACTIVITY	EST. COST
<u>Contractor Payments Only*</u>	
▪ Apply new gravel to gravel road (3" Depth)	\$ 30,000/mile
▪ Pave 3' Wide Shoulders (per mile-one side)	\$ 50,000/mile
▪ Pave a subdivision approach to a main road	\$ 60,000 each
▪ Build a passing lane	\$ 60,000 each
▪ Pave a more major road approach	\$ 75,000 each
▪ Build a right-turn lane:      Rural Location	\$ 75,000 each
Urban Location	\$ 100,000 each
▪ Preservation Overlay (1 1/2 inch cap on 2-lane)	\$ 100,000/mile
▪ Pave gravel subdivision streets	\$ 300,000/mile
▪ Add center left turn lane (depending on location, drainage, etc.)	\$ 1 million/mile
▪ Rehabilitation/resurface two-lane asphalt road, adding selected passing turn lanes, and various safety improvements.	\$ 1 million/mile
▪ Rehabilitate/resurface five-lane concrete road,	\$ 750,000/mile
▪ Widen an intersection for signalization	\$ 900,000 each
▪ Pave a main gravel road (including minor soil and/or drainage correction)	\$ 1.5 million/mile
▪ Widen from two lanes to five lanes	\$ 6.5 million/mile
▪ Widen from two lanes to four-lane boulevard	\$10 million/mile
▪ Widen from two lanes to six-lane boulevard	\$12 million/mile

\*Add 10% for preliminary engineering and 15% for construction engineering.

\*Add any necessary right-of-way (ROW) acquisition costs.

# **“Oakland is Rich — Solve Your Own Problems”**

## **“Doesn’t all the Development in Oakland County Mean Lots of New Money for Roads?”**

The Road Commission frequently hears these statements. Typically, the first is heard in Lansing from legislators and officials from outside the county.

In fact, there has been a tremendous amount of development taking place in Oakland County, and many of the businesses that operate in the county generate significant profits. However, that does NOT mean additional money for roads, though it does generate significant income for the state.

### **New Tax Revenues from the Growth**

Oakland County does receive a tremendous amount of revenue from taxes associated with all the new growth. There has been continuous new development of office complexes in places like Troy and Novi; new commercial developments and tremendous new growth in the industrial sector, such as the massive focus on Automation Alley, along the I-75 and I-696 corridors; and explosive growth in residential development across the county.



All this new development produces tax revenues in three areas:

1. Property taxes — from all the new buildings (though this is limited by the Headlee Amend.)
2. Income taxes — from all the new jobs
3. Sales taxes — from all the commerce at the new commercial developments

**How much of this new tax revenue goes to either MDOT or the Road Commission to address the traffic problems resulting from all this growth?**

# **None!**

# **Problem 2:**

## **Congestion**

- 1. Oakland's congestion is getting worse.**
- 2. Existing funding is inadequate to address this problem.**
- 3. Nobody is going to bail us out (e.g. federal government)**

### **How big is Oakland's problem?**

- Oakland has the most heavily traveled & congested freeways and local roads in the state.**
- Oakland is approaching gridlock faster than any other Mi. county.**
- According to SEMCOG (2003), Oakland accounts for 42% of all congestion in Southeast Michigan.**

#### **Two experts' comments:**

**"Congestion in Oakland County is a deterrent to economic growth. There are times when Oakland is eliminated as a development candidate due to traffic volume. It is an objection that is very difficult to overcome."**

**- Cynthia Grubbs, Account Manager Michigan Economic Development Corp. (MEDC)**

**"Congestion is Oakland County's Achilles heel."**

**- L. Brooks Patterson, Oakland County Executive**

### **Why do we have a congestion problem?**

#### **Due to:**

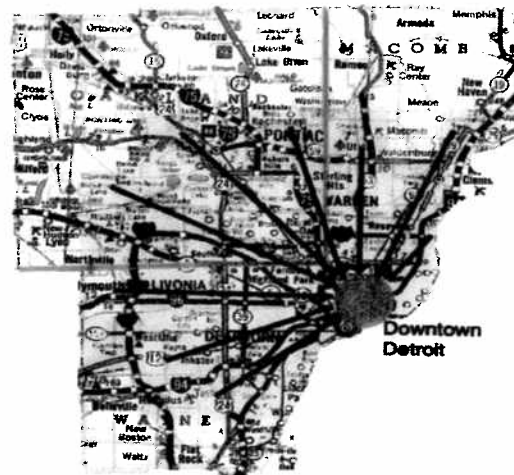
- Oakland's economic development & growth success.**
- Lack of funding to address related traffic growth.**
- Change in commuter patterns.**
- No single, common commuter destination.**
- Low population density & free parking in suburbs are a deterrent to transit.**

# The impact of Changes in Commuter Patterns

Sixty or more years ago, most of the commuters in metro Detroit were heading to and from downtown Detroit. Consequently, most of the transportation infrastructure was designed to accommodate this commuting pattern. Many of the major roads and freeways radiate out of downtown, such as Woodward, Gratiot, Michigan Ave., Grand River, I-75, the Lodge, I-96 and I-94.

However, over the last 50-plus years, there has been a major shift in commuting patterns in Metro Detroit. In fact, in the early 1980s, the

## Commuting patterns 60 years ago



### Change in commuting patterns

<u>1980</u>	<u>2000</u>	<u>Difference</u>
<b>Oakland residents working in Detroit</b>		
59,000	47,000	- 12,000
<b>Detroit residents working in Oakland</b>		
33,000	54,000	+ 21,000
<b>Oakland residents working in Macomb</b>		
31,000	42,000	+ 11,000
<b>Macomb residents working in Oakland</b>		
44,000	94,000	+ 50,000

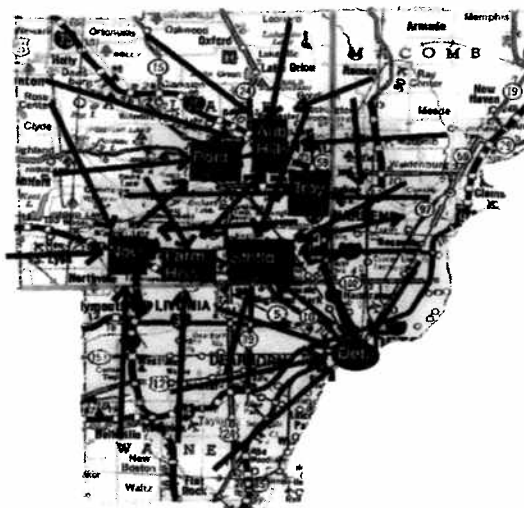
US Census Bureau noted that the Detroit Metropolitan area experienced the greatest shift in commuting patterns of any large metro area in the country between 1960 and 1980. That shift was from suburb-to-city commutes to suburb-to-suburb commutes. That pattern has continued since then.

The table at left documents this ongoing shift for the period from 1980 to 2000. Consider the last item in this table: Between 1980 and 2000, the number of Macomb County residents

commuting to work in Oakland County increased by 50,000 trips per day to a total of nearly 100,000 trips every day!

Today, some 300,000 residents of other counties commute into Oakland County each day to work. This creates a tremendous burden on a road system that was not designed to accommodate this suburb-to-suburb commuting patterns. The result is that today, metro area residents commute in every direction on a road system designed for a single-destination commute, as the map at right illustrates.

## Commuting Patterns Today





## **What are the Road Needs in Oakland County?**

The table below lists some of the major road improvement categories and the anticipated needs on county roads over the next 10 years.

### **10-Year Cost of Local Road Capacity Needs (Oakland County only)**

**RCOC: \$1.3 billion**

**Cities: \$0.4 billion**

**Total: \$1.7 billion**

- **\$ Oakland is expected to receive over next 10 years to address congestion: \$180 million.**
- **10-year congestion funding gap: \$1.5 billion +**

#### **Where did we get the \$2.03 billion figure?**

This figure resulted from two sources:

1. Input from community officials throughout the county provided during the Road Commission's Strategic Planning meetings. These are meetings RCOC conducts every two years with virtually every community in the county, in which we receive feedback on a variety of subjects.
2. The Road Commission's own evaluation of its road system.

**NOTE:** The size of Oakland County's congestion-related road needs mean that the Drive Michigan effort alone will not provide nearly enough money to solve the congestion problem. Oakland County will need considerably more money for that effort.

# **Federal Funds**



What about solving our problem with increased federal road funds?

Federal road funds, derived primarily from the 18.4 cent federal gas tax, are used primarily for major road improvement projects, such as road widening (as opposed to road maintenance and operating expenses, which are the primary use of state-collected road funds).

In 2005, Congress enacted a six-year federal road-funding program known as the Safe, Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). This legislation resulted in an increase in federal road funding to Michigan compared to the previous federal six-year transportation bill. The bill was expected to bring an additional \$239 million to Michigan annually, on average.

## **The problem**

Why hasn't this increase in federal funding solved Michigan's road problems? Because only a small portion of that money ever makes it to the local level.

## **How are Federal Road Funds Divided Between MDOT and Local Agencies?**

The federal road funds coming to Michigan are split among the Michigan Department of Transportation (MDOT), county road commissions and cities and villages. Current legislation and historical tradition set the division as follows:

<b>75%</b>	<b>=</b>	<b>MDOT</b>
<b>25%</b>	<b>=</b>	<b>Divided between county road commissions, cities and villages</b>

A small percentage of the 25% makes it to Oakland County. So, even though federal road funds have increased in recent years, the amount of additional funding coming to Oakland County has been fairly minimal.

# **Easy Solutions**

*“There is always an easy solution to every human problem...*

*...neat, plausible and wrong.”*

**-H.L. Mencken, 1949**

## **“Just get More Federal Funds”**

- In 2006, Michigan received a 91.5% return on federal road funds. In 2008, we should receive 92.5% back.
- As a result of this increase, the following increases will be seen:  
Michigan: \$9.7 million  
MDOT: \$7.3 million  
Oakland County: \$230,000.
- If Michigan were to get back 95% of what it sends to Washington, DC, the following increases would be seen:  
Michigan: \$34 million  
MDOT: \$25.6 million  
Oakland County: \$805,000
- For Oakland County, this (\$805,000) would be enough to widen about one-eighth of a mile of road from two lanes to five. In other words, it would not make a significant difference.
- Bottom line: Getting more federal road funding back for Michigan would be good, BUT IT WON'T SOLVE MICHIGAN'S ROAD FUNDING PROBLEM.
- EVEN WITH AN INCREASED RETURN ON MICHIGAN'S FEDERAL ROAD FUNDING, WE STILL NEED TO INCREASE STATE ROAD FUNDING JUST TO MAINTAIN OUR EXISTING ROADS.
- Besides: Most observers believe that the federal Highway Trust Fund is going to into a deficit beginning in 2009, making the likelihood of increased federal road funding pretty remote.

## **“Why not Consolidate to Improve Efficiency?”**

- Currently, the state is encouraging local units of government to consider consolidating services and functions as a means of saving money.
- Michigan’s system of county road commissions is a long-standing example of how this can be successful.
- In the early 20<sup>th</sup> century, the state’s townships got together and convinced the state to establish countywide agencies to maintain roads – county road commissions.
- Road commissions already take advantage of many of the economies of scale that communities are seeking through consolidation, while still retaining the local proximity to the customers they serve.
- Fifty-four county road commissions currently maintain all the state trunklines in their counties on behalf of MDOT.

## **“Why not just require road agencies to be more efficient?”**

Consider these facts about RCOC:

- Over the last 30-plus years, RCOC’s staff has grown by only eight positions (1974: 548; 2007: 556).
- During those years, Oakland has seen dramatic increases in traffic.
- RCOC is doing more work now than ever — it’s doing it through privatization and improved efficiency.
- RCOC has contracted out not only major construction work — paving, widening, resurfacing — but many routine maintenance activities as well.

## **Examples of Privatization**

Great idea. In fact, RCOC has been privatizing selected activities — *when it makes good business sense* — for years.

The table below lists items that RCOC has already fully or partially privatized.

<b>ACTIVITY</b>	<b>% PRIVATIZED</b>
- Curb Sweeping	Totally
- Pavement Marking	Totally
- Large Tree Removal	Totally
- Preservation Overlays (simple resurfacing)	Totally
- Shoulder Paving	Totally
- Concrete Repair	Totally
- Joint and Crack Sealing	Totally
- Slope Mowing	Totally
- Boulevard Mowing	Partially
- Bridge Repair	Partially
- Base Repair	Partially
- Engineering (Road Design)	Partially
- Signal Design	Partially
- Signal Installation / Modernization	Partially
- Equipment Repair	Partially

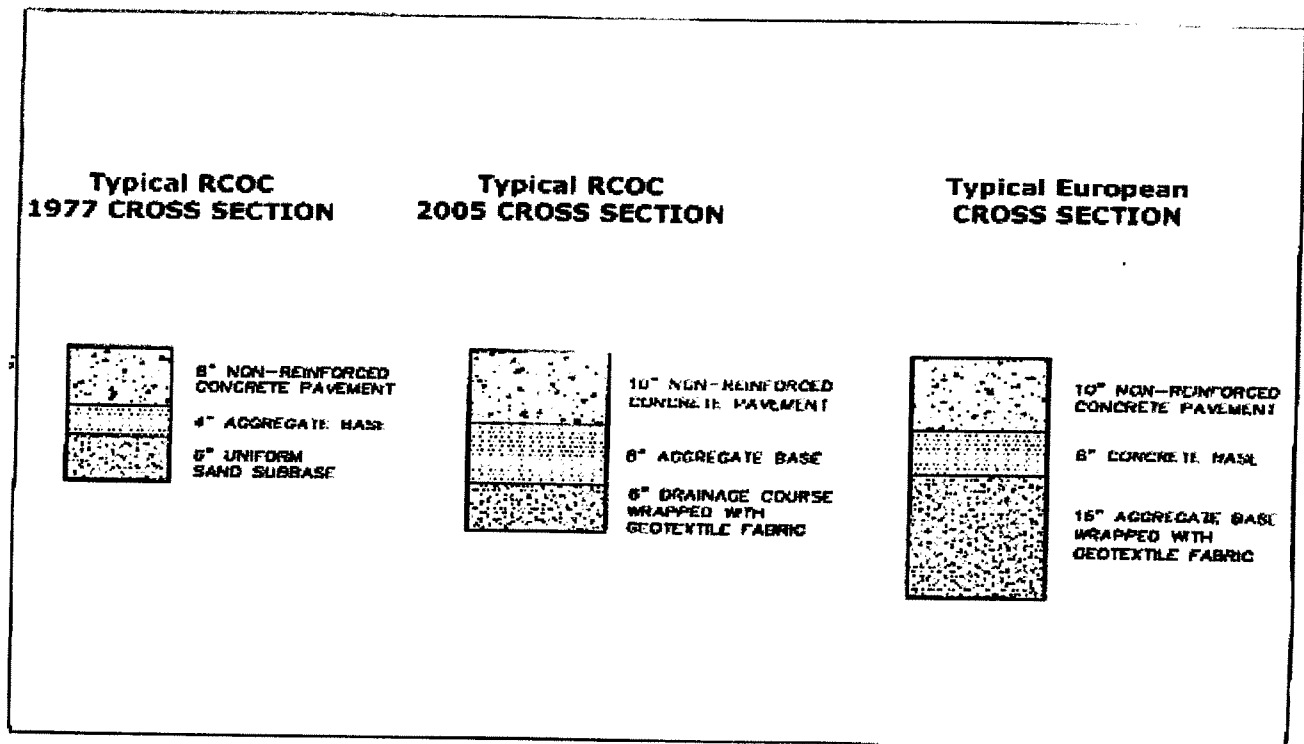
Additionally, all major construction work, including paving, widening, resurfacing, etc., conducted by RCOC is done by the lowest-bid private contractor.

## **“Why not just build roads to European standards?”**

It's true that in some European countries, roads are built to higher standards and last longer than the roads built in the United States.

But, they also cost considerably more.

Compare the cross sections of road in the table below. Shown are the typical RCOC cross section of 1977 (the way we used to build roads), the typical RCOC cross section of today and the typical European cross section. As can be seen, RCOC's design has moved closer to the European design over the years.



### **What is the cost difference?**

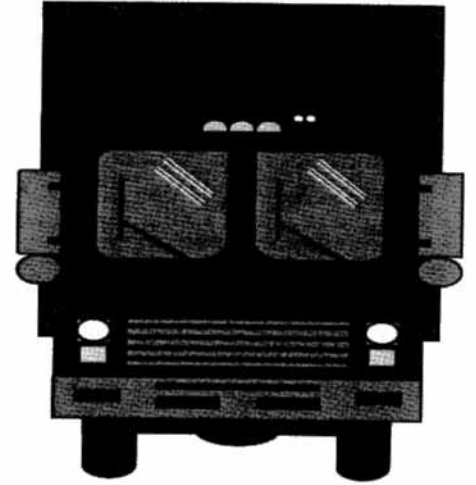
RCOC estimates that building roads to the European standard would increase project costs by 50 to 75 percent. Additionally, with all the growth taking place in Oakland, the Road Commission has to ask, “Why would you build a road to last 50 years, when you know in 20 years you’ll probably have to tear it up and widen it?”

Additionally, it is interesting to note that the cost of gas in Europe is currently \$5 to \$8.5 per gallon —because fuel taxes are much higher than in the US.



## **“Why not force truckers to reduce the weight they carry?”**

It is true that heavy trucks do far more damage to the road surface than cars. It's also true that Michigan allows heavier trucks than most states (164,000 pounds vs. 80,000 pounds).



However, studies have indicated that road damage is related more to axle load than to gross weight. Michigan's axle load restrictions are comparable to most other states.

Additionally, there are currently about 300,000 trucks in operation in Michigan. Only 5% of the fleet weighs more than 80,000 pounds and only 850 are over 160,000 pounds. If Michigan eliminated all the trucks weighing more than 80,000 pounds, we could see up to 15,000 additional trucks on our roads, as that freight is shifted to more smaller trucks.

### **Trucks NOT paying their fair share**

RCOC believes trucks in general are NOT paying their fair share for road upkeep. Raising the diesel tax to be the same as the gas tax would help to solve this problem.

## **“Why not use toll roads?”**

Below are eight reasons we do not use toll roads in Michigan. Perhaps the most notable are the first four.

1. Only freeways can be made toll roads.
2. Typically, tolls collected on toll roads are used to maintain the toll roads, not to maintain other roads.
3. Freeways represent 1 percent of Michigan's public road system. If all Michigan freeways became toll roads, 99 percent of Michigan's public road system would remain underfunded.
4. States with toll roads, such as Ohio and Pennsylvania, have a higher gas tax than Michigan to maintain their other roads.
5. Toll roads are especially effective for states with high pass-through traffic. Michigan is a peninsula state, with little pass-through traffic.
6. To avoid tolls, some motorists would drive on local roads, increasing the burden on those roads.
7. Retrofitting existing freeways to be toll roads has traditionally been extremely expensive. However, advances in technology are changing this situation.

# **Summary**

## **The Problem:**

- Michigan is facing a road funding crisis. The roads are going to rapidly deteriorate in coming years.
- Michigan has been in the bottom 10 states in the nation in per capita state and local road funding for more than 40 years.
- Getting a greater return on federal road funds (extremely difficult politically – donee states have same number of votes in Senate), would NOT provide enough money to solve Michigan's road condition problem.
- Bad roads deter economic development and hurt Michigan's chances of competing economically with other states.
- The road funding problems described in this report exist in ALL counties in Michigan.
- Nobody else is going to bail us out.

## **The Solution:**

- Adequately fund Michigan's roads by supporting the Drive Michigan effort and:
  - Raise the gas tax
  - Raise the diesel tax
  - Raise the vehicle registration fee